

Responses from P125 Assessment Consultation

Consultation issued 8 May 2003

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. Non-Parties Represented
1.	EdF Generation and EdF Trading Ltd	P125_ASS_001	2	0
2.	NGT	P125_ASS_002	1	0
3.	LE Group	P125_ASS_003	9	1
4.	Powergen	P125_ASS_004	15	0
5.	Innogy	P125_ASS_005	9	0
6.	Aquila Networks	P125_ASS_006	1	0
7.	Scottish Power	P125_ASS_007	6	0
8.	British Gas Trading	P125_ASS_008	1	0
9.	Scottish and Southern	P125_ASS_009	4	0

P125_ASS_001 – EdF Generation and EdF Trading Ltd

1 Do you believe that Modification Proposal P125 would better facilitate achievement of the Applicable BSC Objectives? Please provide rationale.

Answer - The adoption of P125 would in our view better facilitate the BSC Objectives, because it would allow the same nodal TLF to be applied to those parties connected to that node and hence it would better facilitate competition and avoid discrimination.

2 Do you agree with the TLFMG view as to the apportionment ratio for Scottish Interconnector flows (i.e. 50:50 between Northern and North Western Zones, based on historical data)? If no, please state what is the preferred apportionment and/or method for establishing an apportionment.

Answer - Yes, which is in accord with how it is understood that this interconnector has been treated (albeit for TNUoS Charges) for the last 13 years ie since privatisation.

3 Do you agree with the TLFMG view that, were Modification Proposal P125 approved, the implementation date should coincide with that of Approved Modification P82 (i.e. 1 April 2004)?

Answer - Yes, no other date would be appropriate.

4 Do you have any comments on the proposed Code drafting?

Answer - No.

5 Do you have any other comments on any aspect of Modification Proposal P125?

Answer - No.

P125_ASS_002 – NGT

Respondent:	<i>Name National Grid Transco</i>
No. of BSC Parties Represented	<i>One</i>
BSC Parties Represented	<i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant). National Grid</i>
No. of Non BSC Parties Represented	<i>None</i>
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant). N/A</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state) BSC Party</i>

Q	Question	Response	Rationale
1.	Do you believe that Modification Proposal P125 would better facilitate achievement of the Applicable BSC Objectives? Please provide rationale.	Yes	We agree with the rationale of the TLFMG that a Scottish Interconnector BM Unit has the same impact on transmission losses in England & Wales as any other BM Unit connected at the same node. Therefore, P125 would better facilitate BSC Objective (c) on promoting competition.
2.	Do you agree with the TLFMG view as to the apportionment ratio for Scottish Interconnector flows (i.e. 50:50 between Northern and North Western Zones, based on historical data)? If no, please state what is the preferred apportionment and/or method for establishing an apportionment.	Yes	Basing the apportionment ratio for the Scottish Interconnector on historic flows is appropriate. In addition, we note that this is entirely consistent with the implementation approach to be adopted with P82.
3.	Do you agree with the TLFMG view that, were Modification Proposal P125 approved, the implementation date should coincide with that of Approved Modification P82 (i.e. 1 April 2004)?	Yes	Assuming the limited impact on the TLFA is confirmed, then adopting the same implementation date as P82 is sensible.

Q	Question	Response	Rationale
4.	Do you have any comments on the proposed Code drafting?	No	We believe the code addresses the defect identified.
5.	Do you have any other comments on any aspect of Modification Proposal P125?	No	

P125_DR_003 – LE Group

Respondent:	Russell Hill
No. of BSC Parties Represented	9
BSC Parties Represented	LE Group plc, London Electricity plc, Jade Power Generation Ltd, Sutton Bridge Power Ltd, West Burton Power, London Power Networks plc, EPN Distribution Ltd, Seeboard Power Networks plc, Seeboard Energy Ltd,
No. of Non BSC Parties Represented	1 (this is a BSC Party Agent)
Non BSC Parties represented	ECS Metering & Data Services
Role of Respondent	Supplier / Generator / Party Agent / Distribution Business

Q	Question	Response	Rationale
1	Do you believe that Modification Proposal P125 would better facilitate achievement of the Applicable BSC Objectives? Please provide rationale.	Yes	LE Group believes that P125 better facilitates the achievement of Applicable BSC Objective (c) “Promoting effective competition...” as it would ensure that similar costs would be allocated to all BM Units connected to the terminal nodes of the Scottish Interconnector.
2	Do you agree with the TLFMG view as to the apportionment ratio for Scottish Interconnector flows (i.e. 50:50 between Northern and North Western Zones, based on historical data)? If no, please state what is the preferred apportionment and/or method for establishing an apportionment.	Yes	Having reviewed the analysis that was carried out on the Scottish interconnector flows, LE Group agrees that the proposed 50:50 split is the most reasonable apportionment of flows between the two relevant nodes. We are happy to see that the assumptions that the analysis is based on, is consistent with those used for P82. We also agree that the Panel should retain discretion to review this apportionment, if there were to be a major shift in the split.
3	Do you agree with the TLFMG view that, were Modification Proposal P125 approved, the implementation date should coincide with that of Approved Modification P82 (i.e. 1 April 2004)?	Yes	P125 only makes small alterations to the P82 mechanism, LE Group agrees with the view of the TLFMG that the implementation date of P125 should be aligned with that of P82. This is an effective and efficient way to implement both and causes the least amount of disruption to all participants.

Q	Question	Response	Rationale
4	Do you have any comments on the proposed Code drafting?	No	
5	Do you have any other comments on any aspect of Modification Proposal P125?	Yes	The changes proposed by P125 bring greater consistency with TNUoS charging. A consistent approach brings with it greater stability and predictability which we believe will be of benefit to all market participants.

P125_ASS_004 – Powergen

Respondent:	Powergen UK plc
No. of BSC Parties Represented	15
BSC Parties Represented	Powergen UK plc, Powergen Retail Limited, Diamond Power Generation Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy
No. of Non BSC Parties Represented	0
Non BSC Parties represented	0
Role of Respondent	Supplier/Generator/ Trader and Exemptable Generator

	Question	Response	Rationale
1	Do you believe that Modification Proposal P125 would better facilitate achievement of the Applicable BSC Objectives? Please provide rationale.	No	<p>It has been argued that the arrangements introduced under P82 discriminate against north to south power flows in the Scottish Interconnector, and that applying different TLFs to the Northern and North West zones is inappropriate given Scottish Interconnector BM units are connected to nodes in those zones.</p> <p>Numerous existing rules under the BSC can on the face of it be described as discriminatory. Indeed under P82 there are instances where demand is physically located in one GSP Group and allocated one loss factor, even though it is physically 'supplied' from a node located in another GSP Group having a different loss factor.</p> <p>Even if you applied a fully nodal based losses scheme, there will always be circumstances where particular parties can argue they are being</p>

	Question	Response	Rationale
			<p>discriminated against. What we need to establish is whether P82 unduly discriminates against north to south Scottish Interconnector power flows and does this mean P125 better facilitate the applicable BSC objectives.</p> <p>In apportioning a greater amount of losses to energy delivered into the England and Wales market through the Scottish Interconnector than those applied in the Northern and North West zones, such flows will to some extent be dissuaded. Energy might even be encouraged to 'flow' northwards. In better targeting the cost of losses (in England and Wales) at the parties that, to a greater or lesser extent, contribute to those losses, one might expect overall system losses in England and Wales to be lower under P82 than P125, (Applicable Objective (D)).</p> <p>Implementation of this modification would disadvantage generators in the Northern and North Western zones relative to companies making deliveries through the Scottish Interconnector impacting their competitiveness. Is it appropriate to allocate additional costs to these generators despite the fact they are clearly causing less system losses than deliveries through the Scottish Interconnector, (Applicable Objective (C))?</p>
2	Do you agree with the TLFMG view as to the apportionment ratio for Scottish Interconnector flows (i.e. 50:50 between Northern and North Western Zones, based on historical data)? If no, please state what is the preferred apportionment and/or method for establishing an apportionment.	Yes	<p>Provided this split can be reviewed from time to time, to reflect significant changes to the split of deliveries at Stella West and Harker.</p> <p>Any process to amend this apportionment must be done in parallel to the process to derive Annual TLFs.</p>

	Question	Response	Rationale
3	Do you agree with the TLFMG view that, were Modification Proposal P125 approved, the implementation date should coincide with that of Approved Modification P82 (i.e. 1 April 2004)?	Yes	
4	Do you have any comments on the proposed Code drafting?	No	
5	Do you have any other comments on any aspect of Modification Proposal P125?	No	

P125_ASS_005 – Innogy

Respondent:	<i>Name Bill Reed</i>
No. of BSC Parties Represented	<i>9</i>
BSC Parties Represented	<i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant). Innogy plc, Innogy Cogen Limited, Innogy Cogen Trading Limited, Npower Limited, Npower Direct Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Yorkshire Limited, Npower Yorkshire Supply Limited.</i>
No. of Non BSC Parties Represented	<i>0</i>
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>

Q	Question	Response	Rationale
1	Do you believe that Modification Proposal P125 would better facilitate achievement of the Applicable BSC Objectives? Please provide rationale.	Yes	The treatment of the Scottish interconnector nodes under P82 appears anomalous when compared with treatment of other similar nodes in the Northern and Norweb GSP groups. On this basis, a separate TLF that reflects the apportionment of flows into the Northern and Norweb would remove potential distortions that could arise through the treatment of these nodes, and therefore better facilitate the relevant BSC objectives (principally Objective C in relation to competition).
2	Do you agree with the TLFMG view as to the apportionment ratio for Scottish Interconnector flows (i.e. 50:50 between Northern and North Western Zones, based on historical data)? If no, please state what is the preferred apportionment and/or method for establishing an apportionment.	Yes	The analysis presented in the consultation report supports 50:50 apportionment based on analysis of historic flows. Further, the approach is consistent with the application of P82 on an historic basis.

Q	Question	Response	Rationale
3	Do you agree with the TLFMG view that, were Modification Proposal P125 approved, the implementation date should coincide with that of Approved Modification P82 (i.e. 1 April 2004)?	Yes	It is important that transmission losses treated in a consistent manner from the introduction of P82.
4	Do you have any comments on the proposed Code drafting?	No	
5	Do you have any other comments on any aspect of Modification Proposal P125?	No	

P125_ASS_006 – Aquila Networks

Please find that Aquila Networks Plc response to P125 Assessment Consultation is 'No Comment'.

regards
Rachael Gardener

Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

P125_ASS_007 – Scottish Power

Respondent:	<i>Name</i> John W Russell (SAIC Ltd)
No. of BSC Parties Represented	6
BSC Parties Represented	<i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i> Scottish Power UK plc; ScottishPower Energy Trading Ltd.; ScottishPower Generation Ltd; ScottishPower Energy Retail Ltd.; SP Transmission Ltd; SP Manweb plc.
No. of Non BSC Parties Represented	
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent / Interconnector Administrator

	Question	Response	Rationale
1	Do you believe that Modification Proposal P125 would better facilitate achievement of the Applicable BSC Objectives? Please provide rationale.	Yes	<p><i>The treatment of the Scottish Interconnector under Approved Modification P82 ('the current methodology') distorts competition due to its discriminatory treatment of Interconnector BM Units and is unduly complex. We believe that P125 addresses both these issues, and therefore better facilitates the achievement of the Applicable BSC Objectives.</i></p> <p><i>The calculation of TLFs in the load flow model is based on the physical volumes associated with each node, and the mapping of that physical volume to BMUs is required for preparation of inputs and application of outputs. The issue arises because whereas BMUs are generally associated with a single node, Scottish Interconnector BMUs are unique in that their metered volume is a composite over two nodes, located in separate zones, and whereas the respective shares associated with each node are not metered for settlement purposes, they do contribute to the physical volumes at the terminal</i></p>

	Question	Response	Rationale
			<p><i>nodes and hence have the same electrical effect as BMUs connected to those nodes.</i></p> <p><i>By creating a separate zone specifically and exclusively for the Interconnector BM Units, the current methodology leads to different treatment of individual energy flows at particular nodes on the network. Flows from Interconnector BM Units onto or off the network at the Harker and Stella West nodes will attract different TLFs from flows from other BM Units at the same nodes. This discrimination between different flows which have the same electrical effect on the network in terms of losses will distort competition in the generation and supply of electricity. By ensuring that flows with the same effect receive the same TLF, P125 will better facilitate the achievement of objective (c) of Condition C3(3) of the Transmission Licence, "promoting effective competition in the generation and supply of electricity...", and objective B1.2.1(c) of the BSC, "that the Code is given effect without undue discrimination between parties or classes of Party".</i></p> <p><i>Additionally, the current methodology for dealing with the Scottish Interconnector is unnecessarily complex. Apportionment of the Interconnector BM Unit Metered Volume is already required under P82 in order to establish the flows at each of the terminating nodes for the purposes of the Load Flow Model. Having made this apportionment, the splitting of these nodes into Interconnector Boundary Points and other Boundary Points or Systems Connection Points under paragraph 4.6 of Annex T-2 is an unnecessary complication and requires the TLFA to deal with thirteen zones instead of twelve throughout the remainder of the process. The</i></p>

	Question	Response	Rationale
			<p><i>same apportionment used with the P125 methodology allows the TLFA to model twelve zones and publish twelve TLFs. Application of two of these TLFs, suitably weighted, to the Interconnector BM Unit Metered Volumes (see also Question 5) does not require the TLFA to publish a thirteenth TLF, although it may be considered desirable. Even with this additional feature, the P125 process is less complex than the process contained in the current methodology and hence better facilitates achievement of objective B1.2.1(d), "...that the Code is given effect as economically and efficiently as is reasonably practicable".</i></p>
2	<p>Do you agree with the TLFMG view as to the apportionment ratio for Scottish Interconnector flows (i.e. 50:50 between Northern and North Western Zones, based on historical data)? If no, please state what is the preferred apportionment and/or method for establishing an apportionment.</p>	Yes	<p><i>The use of historical data to determine the apportionment ratio is consistent with the general use of historic data to calculate TLFs under the P82 methodology.</i></p> <p><i>The analysis of historical data in Annex 2 of the Consultation Document confirms that it is appropriate to apply a uniform ratio based on the historical average ratio, and that a 50:50 split should be used.</i></p> <p><i>We also agree with the TLFMG that one-off derivation is more cost effective than annual recalculation based on data from each Reference Year, since the latter option would result in additional cost and time, for little if any improvement in accuracy.</i></p>
3	<p>Do you agree with the TLFMG view that, were Modification Proposal P125 approved, the implementation date should coincide with that of Approved Modification P82 (i.e. 1 April 2004)?</p>	Yes	<p><i>P125 provides a better process for the derivation of TLFs under Approved Modification P82 and should be implemented at the same time, i.e., 1 April 2004.</i></p>

	Question	Response	Rationale
4	Do you have any comments on the proposed Code drafting?	Yes	<p><i>The legal drafting appears to work, but we question whether it is necessary to retain the concept of the thirteenth zone.</i></p> <p><i>We also note a minor error in the proposed paragraph 7.6, where “Σ_N” should be replaced by “Σ_z” in the last sentence “Σ_N is summation by Zone as provided in the network mapping statement” to indicate that the right hand side of the formula is a proportion-weighted average of the Adjusted Annual Zonal TLF over each zone.</i></p>
5	Do you have any other comments on any aspect of Modification Proposal P125?	Yes	<p><i>We would highlight that applying the composite TLF calculated under P125 to Scottish Interconnector BMU metered volumes is equivalent to treating the BMU as the composite of the respective shares associated with each terminal node, and treating these components separately, and on the same basis as any other BMU, throughout the P82 methodology, i.e. in both the calculation and the application of the zonal TLFs corresponding to the node with which the metered volume is associated.</i></p> <p><i>Therefore, P125 simply serves to:</i></p> <ul style="list-style-type: none"> <i>• specify the apportionment ratio to be applied in apportioning historical Scottish Interconnector BMU metered volumes to the two terminal nodes, for calculation of the nodal TLFs in the load flow model</i> <i>• apply this same apportionment factor throughout the P82 methodology</i> <i>• thereby allowing the respective portions associated with each node to be treated on the same basis as any other BMU within the respective zones</i>

P125_ASS_008 – British Gas Trading

Respondent:	<i>British Gas Trading</i>
No. of BSC Parties Represented	<i>1</i>
BSC Parties Represented	
No. of Non BSC Parties Represented	<i>0</i>
Non BSC Parties represented	
Role of Respondent	

	Question	Response	Rationale
1	Do you believe that Modification Proposal P125 would better facilitate achievement of the Applicable BSC Objectives? Please provide rationale.	No	The principle of zonal transmission losses is that all BM units should receive an appropriate locational signal with regards to their connection i.e those generators that are connected in the north of the country have a worse loss factor than those in the south. We do not believe that the current arrangements treat the interconnector BM Units differently to other BM Units. The generation that is coming through the interconnector is further north than any that is connected in Northern and North Western zones. As such it is appropriate that this is placed in a separate zone. Therefore we do not agree this proposal better facilitates objective c.
2	Do you agree with the TLFMG view as to the apportionment ratio for Scottish Interconnector flows (i.e. 50:50 between Northern and North Western Zones, based on historical data)? If no, please state what is the preferred apportionment and/or method for establishing an apportionment.	Yes	Although we do not support this proposal should it be implemented we agree a 50:50 apportionment is correct. The analysis that was carried out by the group shows that this is a fair, pragmatic allocation. We note that there is some volatility in the flows to each node and so we support the ability of the Panel to review this apportionment from time to time.

	Question	Response	Rationale
3	Do you agree with the TLFMG view that, were Modification Proposal P125 approved, the implementation date should coincide with that of Approved Modification P82 (i.e. 1 April 2004)?	Yes	
4	Do you have any comments on the proposed Code drafting?	No	
5	Do you have any other comments on any aspect of Modification Proposal P125?	No	

P125_ASS_009 – Scottish and Southern

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

Without prejudice to the Application for Judicial Review in respect of Modification Proposal P82 our answers (to the five questions listed in the consultation/Requirements Document, contained within your note of 8th May 2003 concerning Modification Proposals P125), are as following

Q1 Do you believe that Modification Proposal P125 would better facilitate achievement of the Applicable BSC Objectives? Please provide rationale.

Yes. It is our belief that the creation of a 13th TLF Zone, as part of the Modification Proposal P82 process, is incorrect, unnecessary and discriminatory. Implementing P125 will, we believe, better facilitate the achievement of the Applicable BSC Objectives.

P82 was implemented in order to reflect (across the 12 GSP Group zones in England and Wales) the transmission losses incurred on the England and Wales system. As has been noted by the TLFMG, the Scottish Interconnector BM Units have no more effect on transmission losses on the England and Wales system than any other BM Unit at the respective nodes of Stella West and Harker. Therefore, whilst a 13th Number (reflecting the historical 50:50 split of the flows across the Scottish Interconnector) is required there is no need for an entirely separate 13th Zone. To do otherwise would require certain BSC Parties (such as Scottish Interconnector demand BM Units) to cross subsidise other BSC Parties (all non Scottish Interconnector demand at Stella West and Harker). In this respect we believe that P125 (by removing this cross subsidy) will better achieve Applicable BSC Objective "c) that the Code is given effect without undue discrimination between Parties or classes of Party".

Furthermore, in removing this cross subsidy we believe that P125 will better achieve Applicable BSC Objective "(b) (iii) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase (as defined in the Transmission Licence) of electricity;" as this will ensure that all generation and supply BM Units at the Stella West and Harker nodes pay in proportion to the effect they have on transmission losses. As Scottish Interconnector generation and supply BM Units have exactly the same effect on transmission losses at Stella West and Harker as all other generation and supply BM Units it is appropriate that they pay the same TLF.

It therefore follows that the implementation of P125 (including the clarification of the methodology for the BSC Panel to amend the TLF zones) will better achieve Applicable BSC Objective "(d) consistent with the full and proper discharge of the functions and responsibilities of the Panel and BSCCo, that the Code is given effect as economically and efficiently as is reasonably practicable".

Q2 Do you agree with the TLFMG view as to the apportionment ratio for Scottish Interconnector flows (i.e. 50:50 between Northern and North Western Zones, based on historical data)? If no, please state what is the preferred apportionment and/or method for establishing an apportionment.

Yes. We believe that the analysis outlined in Appendix 2 (concerning the Apportionment Ratio) provides a robust and thorough assessment of the actual flows across the Scottish Interconnector over an annual period. As such this is the same approach being followed, in principle, for P82 (of using an annual reference period of historical data) and it is appropriate that the same approach is followed for P125. Given that this analysis indicates a 50:50 split between the Northern and North Western Zones we agree that this ratio of apportionment be used for the Scottish Interconnector flows.

Q3 Do you agree with the TLFMG view that, were Modification Proposal P125 approved, the implementation date should coincide with that of Approved Modification P82 (i.e. 1 April 2004)?

Yes. Given the linkage between P125 and P82 we agree that it would be appropriate to implement P125 at the same time as P82.

Q4 Do you have any comments on the proposed Code drafting?

Yes. We believe, given the considerations of the TLFMG outlined in the Consultation/Requirements Document, that the Legal Text should be clarified to make it clear that whilst a 13th Number is required a 13th Zone is not.

Q5 Do you have any other comments on any aspect of Modification Proposal P125?

Yes. We note the comments (reported in Section 5.3 of the Consultation/Requirements Document) that a minority TLFMG articulated a counter-argument to P125 regarding the North-South flows being "less attractive than generation located further South in the Northern and North Western zones." However, as we understand it, P82 was approved based on the principle of 'zonal' not 'nodal' losses.

One of the consequences of 'zonal' losses is that there will be differences compared with 'nodal' losses. What is clear is that Scottish Interconnector generation and supply BM Units have exactly the same effect on transmission losses at Stella West and Harker as all other generation and supply BM Units at those nodes. It therefore follows, in a 'zonal' losses model, that they pay the same zonal TLF. The only difference is that with the Scottish Interconnector generation and supply BM Units being split across two zones that some form of apportionment be undertaken. This principle, of apportionment, is already included within P82. Scottish Interconnector generation and supply BM Units (as noted in the Consultation/Requirements Document) have no control over which node (Stella West or Harker) their generation is directed to or from which their consumption is drawn. This is under the control of the System Operator.

Regards

Garth Graham
Scottish and Southern Energy plc